



COMPLIANCE UPDATE
By Kim Slote, policy analyst

ENTRANCE AND EXIT COUNSELING REQUIREMENTS

At a 2014 FSA Training Conference session hosted by USDE, entrance and exit counseling deficiencies appeared on the list of top 10 audit and program review findings for the year. Deficiencies included no documentation verifying entrance or exit counseling was completed, exit counseling documents mailed late after a withdrawal, and no exit counseling verified for graduating students. Since this topic has also appeared in top 10 results in previous years, it is important that we review institutional requirements for entrance and exit counseling.

All first-time borrowers must complete entrance counseling before receiving any Direct Loan funds. Graduate or professional students must also complete entrance counseling before borrowing a Direct PLUS Loan, unless the student has received a prior graduate/professional Direct or Federal PLUS Loan. Schools are required to verify the students understand and have completed entrance counseling and document students' files, before disbursing any funds to their accounts. An employee at the school with an expertise in FSA programs must be reasonably available soon after entrance and exit counseling to answer any questions.

Parents are not required to do loan counseling for a parent Direct PLUS Loan, unless they were denied due to an adverse credit history then were approved based on documentation of extenuating circumstances or the parent obtained an endorser. However, the USDE encourages schools to provide counseling opportunities to parent PLUS Loan borrowers. Schools are also not required to conduct entrance counseling for Perkins Loans, but should encourage students to participate in counseling to reduce defaults and increase financial literacy. Schools must ensure exit counseling is completed for Perkins Loans.

A student loan borrower must complete exit counseling if they are expected to graduate soon, they have dropped below half-time attendance or they have withdrawn, officially or unofficially, from school. The school must send exit counseling materials to a borrower within 30 days from the date they learn the borrower has withdrawn or failed to complete exit counseling. It is not necessary to send the materials by certified mail with return receipt requested; however, the student's file must be documented indicating the exit counseling materials were sent to the borrower. TEACH Grant recipients will receive their entrance counseling from the TEACH website before receiving the grant. Schools are to conduct the exit counseling for TEACH Grant



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recipients when they are no longer enrolled at least half-time in the program, graduating or have withdrawn.

While there are some very specific things schools must do, there is some flexibility in how best to deliver this information to students. For more information on entrance and exit counseling requirements, review Volume 2, Chapter 6 of the 2014-2015 [FSA Handbook](#). More information can be found in the FSA Handbook in Volume 3, Chapter 4 (TEACH Grants), Volume 4, Chapter 2 (Disbursing FSA Funds) and Volume 6, Chapter 3 (Perkins Loans).

As a result of the Executive Memorandum issued by President Obama June 9, 2014, additional guidance was released on April 6, 2015 in [Dear Colleague Letter GEN-15-06](#): Loan Counseling Requirements and Flexibilities. This DCL includes a number of questions and answers to help clarify what schools are allowed to do in the course of meeting these counseling requirements. Counseling resources are available at www.studentloans.gov, through the use of the USDE's [Financial Awareness Counseling Tool](#) and www.mappingyourfuture.org.